UNITED
NATIONS

E

Economic and Social
Council

Distr.
GENERAL

E/CN.4/Sub.2/1991/63
9 September 1991

Original: ENGLISH

COMMISSION ON HUMAN RIGHTS

Sub-Commission on Prevention
of Discrimination and
Protection of Minorities
Forty-third session

Agenda item 8

THE REALIZATION OF ECONOMIC, SOCIAL AND CULTURAL RIGHTS

Written statement submitted by the International Monetary Fund

Statement of the representative of the IMF to the Sub-Commission on Prevention of Discrimination and Protection of Minorities at its forty-third session

1. We are very pleased to be able to assist in the deliberations of the Sub-Commission on Prevention of Discrimination and Protection of Minorities at its forty-third session, and in particular to be able to comment on the second progress report prepared by the Special Rapporteur on the realization of economic, social and cultural rights (E/CN.4/Sub.2/1991/17). We have a mutually - we hope - beneficial working relationship with the Special Rapporteur and look forward to a continuing one, as suggested in the draft resolution on this subject.

2. Such cooperation, in the form of both participation in your meetings and an exchange of views with the Special Rapporteur, obviously is of importance, as many problems find their root in basic misunderstandings regarding the paths to be adopted toward the achievement of common goals. The goal of the Fund's policy advice to its member countries and of the programmes supported

by the use of Fund resources is the achievement of lasting growth that promotes a genuine improvement in living standards. It is our view that structural reforms, underpinned by sound financial policies, i.e. structural adjustment programmes that confront and eliminate deep-rooted impediments to good quality growth, are essential if the economic and social betterment of the population at large is to be achieved. In our experience, there is a clear link between the achievement of strong growth over the medium and long term and the steadfast implementation of disciplined macroeconomic policies and fundamental structural reforms, particularly those that build upon nurturing personal initiatives. What is seen as the apparent "adverse" effects of programmes more often than not relate to a lack of clarity and conviction in their implementation. Since the needed changes cannot be completed in the short term nor can the full positive effects become quickly apparent, decision makers often are tempted to look to "gradual" policy change in the hope of both limiting the human hardship during the transition period and maintaining a consensus for those changes. However, timidity in the approach to basic policy reversals away from unproductive development strategies, from excessive state interventionism and from inward-looking, import-substituting policies, bears the seeds of defeat. The main ingredients in successful policy implementation are predictability and credibility.

3. There now is an almost worldwide recognition that the main way toward sustainable economic growth is policies that cut away from unproductive use of human and physical resources in an environment of pluralistic decision-making. This has led many countries around the globe, in Central and Eastern Europe, in Latin America, in Africa and Asia to adopt far-reaching, courageous, and above all coherent structural adjustment programmes. Where these have been implemented steadfastly, we have indeed seen positive effects. Thus, for those countries that have experienced long-term low growth, with continuous deterioration of per capita income, such as in sub-Saharan Africa, a recent review by the International Monetary Fund shows that where structural programmes have been implemented unambiguously, growth performance has improved. For example, for those low income countries whose policies are supported by the resources of the Fund's Structural Adjustment Facility, a median annual growth rate of 4.2 per cent was achieved over the last three to four years, more than 50 per cent above the 2.6 per cent rate registered in the three-year period before they introduced their programmes. At the same time, the external performance improved sharply for most of them as non-traditional exports responded positively both to more realistic exchange rates and improved market incentives. This, in turn, helped decrease the dependence on a few traditional products, demand and prices for which tend to be unpredictable. All this shows that it is possible to halt, and then reverse, the clearly unacceptable trend into economic stagnation that has been the fate of so many low income countries; it also shows that "good quality" economic policies are an indispensable part of such a trend reversal.

4. The questions are how, in the execution of these programmes, the initial rewards - which of their nature are some time in coming - can be directed to reach the poorest in society and how human hardship can be limited during the transition period. It is obvious that if economic restructuring is to yield long-term, broad-based growth it must be shaped to nurture the basic elements of a productive and vital economy - and, indeed, society - i.e. the health and education of its human resources and the health of its environment. As your

Special Rapporteur has noted, Fund advice puts more and more emphasis on the effort to establish social safety nets to preserve, and improve, budgetary efforts in support of health and education. This does not mean that such emphasis was not there before, but it does mean that such advice, in the current positive environment of economic policy change and political pluralism that seeks to engage all parts of society in the political and economic processes, has become more productive and possible. More possible, I would say, because there is now widespread recognition that Governments must reduce their reach to those areas where they make a positive contribution to the performance of the economy. In particular, they must move out of unproductive spending, which largely benefits only the few, to allow the release of resources to those activities that contribute to the well-being of society as a whole. If I may quote from a recent speech of the Fund's Managing Director regarding the positive role of government in a market-oriented economy:

> "... consider only the following, which is not a complete catalogue of the responsibilities that must be performed by the State ...:
>
> - To maintain a stable economic framework, through sound fiscal and monetary policies;
>
> - To establish and nurture strong basic institutions - a central bank, a judicial system that ensures the rule of law, the whole range of institutions that supervise and regulate economic activities, and those that maintain a competitive environment;
>
> - To develop and maintain appropriate social safety nets;
>
> - To provide and maintain an adequate economic and social infrastructure; and
>
> - To meet basic human needs and improve human capital, including through expenditures on health and basic education, where both public and private sectors have an important role to play.

6. Such reshaping of the tasks of Government is an integral part of structural adjustment. But in freeing up the economy old ways and attitude and privileges need to be swept away, all of which produces stresses and strains in the social fabric. And the latter tend to affect the most vulnerable parts of the population most - sadly, those who shared little, if at all, in the old privileges. This is why the transition needs to be managed both carefully and boldly - to protect access to basic human needs and to withstand the pressure of vested interest. And I believe that I do no violence to the interpretation of your views if I say we are together on this.

7. Given this elucidation of the track record and of the need for appropriate structural adjustment programmes, I would encourage the Sub-Commission to review two particular parts of the draft resolution dealing with these issues (E/CN.4/Sub.2/1991/L.34) in the context of the forthcoming final report of the Special Rapporteur and the discussion thereof at the forty-fourth session of the Sub-Commission. First, the reference to the "negative effects of structural adjustment programmes upon the realization of economic, social and cultural right, ...". Indeed, it is our view that those

rights cannot be realized in the absence of structural adjustment. Second, the draft resolution "urges the international and financial institutions, in particular the World Bank and the International Monetary Fund, to take greater account of the adverse impacts of their policies and programmes of structural adjustment on the realization of economic, social and cultural rights". It should be recalled that the programmes supported by the Fund are the programmes of the countries themselves. Indeed, they cannot succeed unless they have the full support of the population, including those whose full economic, social and cultural rights may be infringed upon. The resolution, therefore, might recall from the Special Rapporteur's progress report's summary of conclusions (para. 196) that: "While there appears to be relatively widespread agreement as to the necessity for adjustment, and whereas without adjustment the economic condition of many countries might have become even worse ...", and call on countries to give full consideration to those rights in formulating and implementing structural adjustment programmes.